



New Products: Case Studies

Self-Help Prospera & Centris Federal Credit Union

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Overview



Community development credit union meeting consumers where they are and offering affordable, responsible transaction financial services targeting underserved consumers.



Credit union offering a full range of financial services to underserved consumers in a cost-effective, convenient, and user-friendly way in the credit union context.

Key take-away: Innovation can be the delivery channel and integration of services in a way that address consumer financial needs. Both organizations achieving scale by attracting new customers/members or better serving existing ones with new a product suite.





CDCU offering affordable, responsible financial services to underserved consumers

An innovative product suite to address consumer needs

Transact

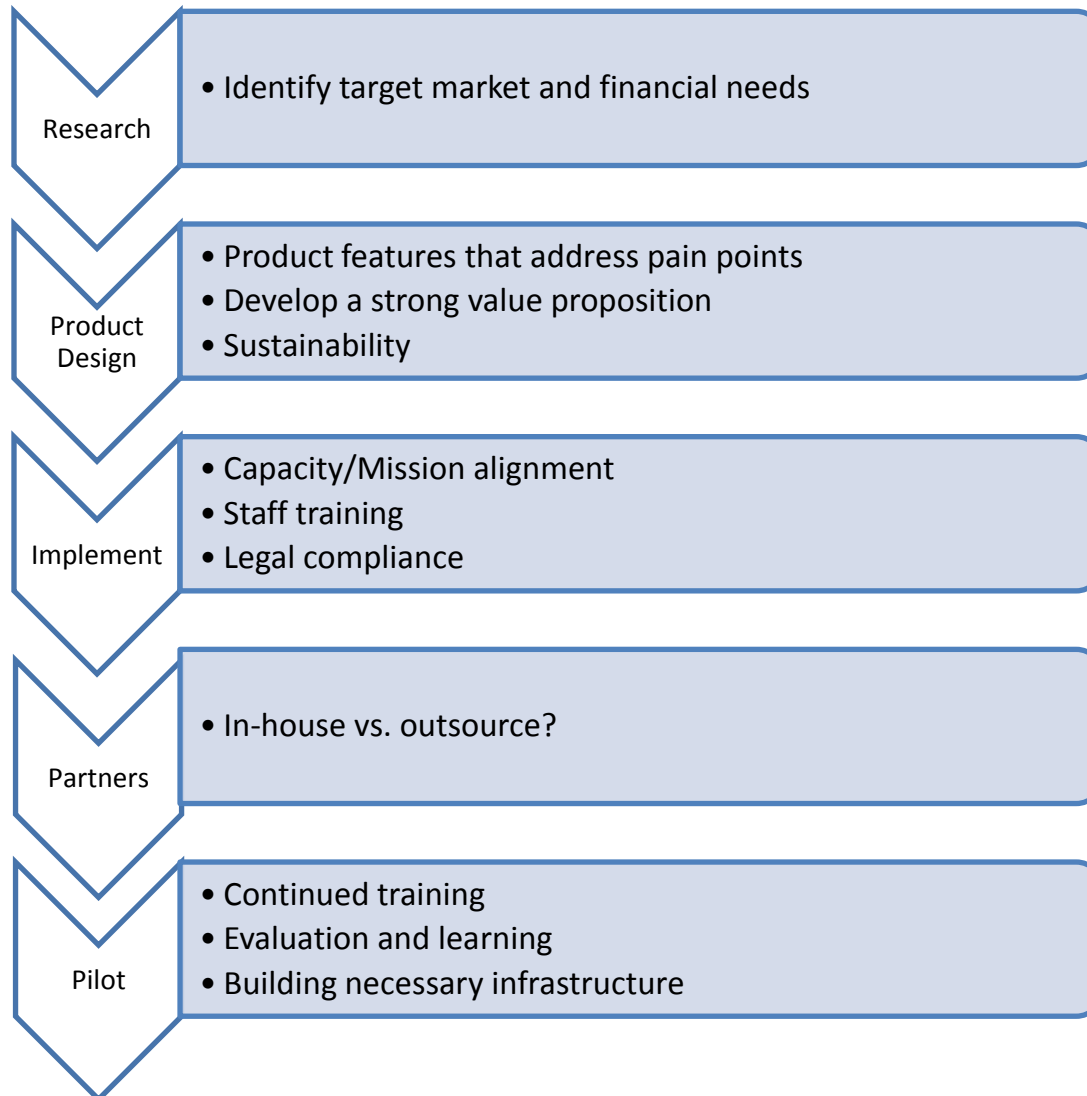
Save

Borrow

Plan



Prospera's Product Development Journey



Prospera's Goal and Mission

Goal:

To develop a replicable model to reach unbanked members of CT Prospera's communities so they can move toward greater economic stability and building family assets.

CT Prospera's Mission:

To create and protect ownership and economic opportunity for all, especially people of color, women, rural residents, and low-wealth families and communities.



Self-Help's Big Picture Strategy Behind California Expansion

- Preserve and expand responsible financial services in low-income communities.
 - Wanted to be sure that if and when necessary, community based credit unions serving underserved families could find a financially strong merger partner firmly committed to serving their communities.
- Inform and strengthen Self-Help's advocacy and policy work.
 - California has traditionally hosted a high concentration of the most predatory service providers. Demonstrating that underserved communities can be served responsibly and profitably will help SH better advocate for policy changes to promote responsible financial services.



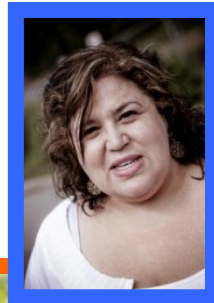
Target Market

- **Demographics**

- Un-Banked
- Living paycheck-to-paycheck
- Latino immigrants

- **Market Research**

- Behavior
- Work-arounds
- Value proposition



Prospera is Designed to Transition Underbanked Consumers into Financial Mainstream

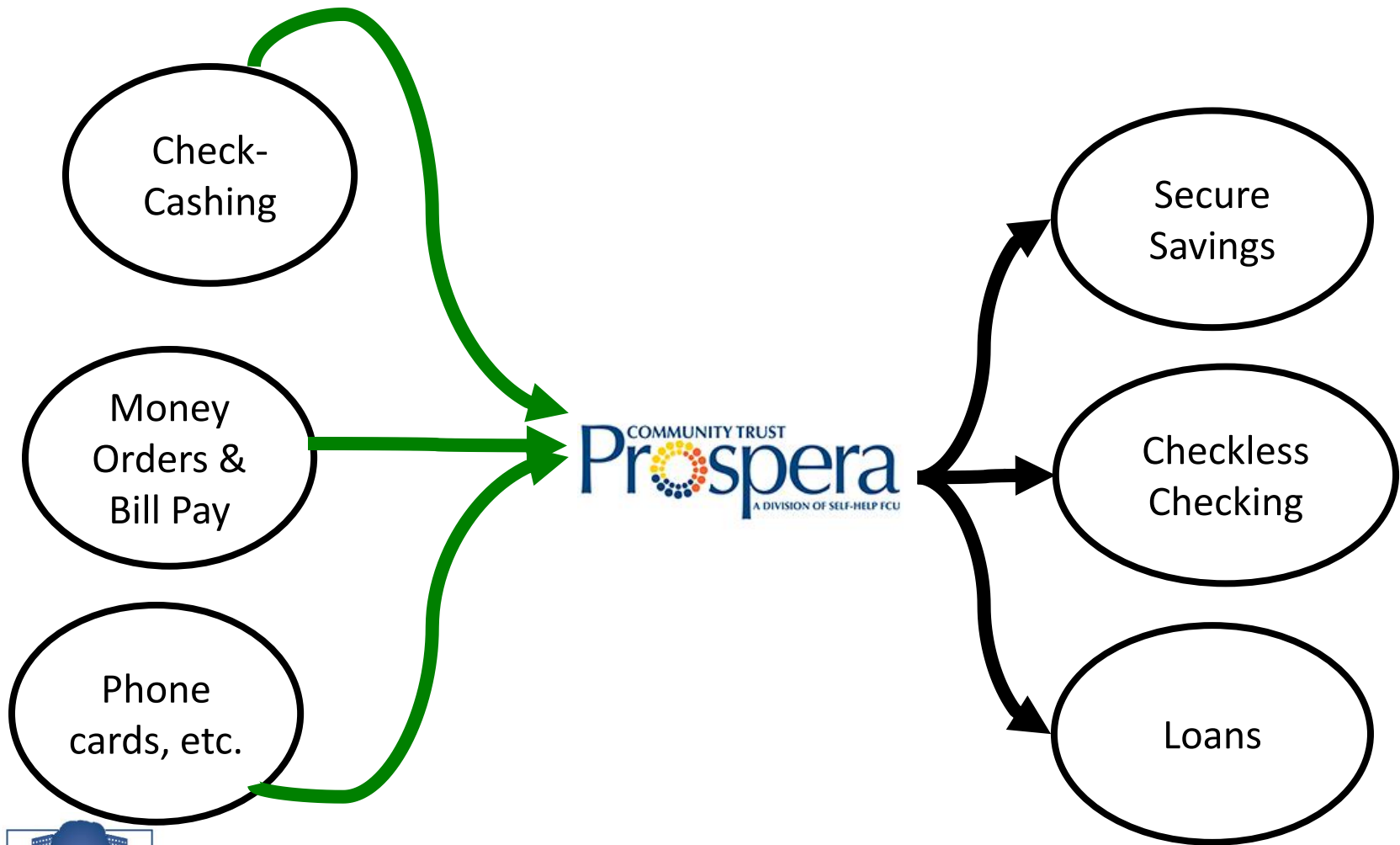
Meet customers where they are...



...and offer a path toward financial stability.



Underserved Market



Prospera Business Model Is a Hybrid Check Casher and Credit Union

Customer acquisition

- Point-of-parity with check-cashers:
 - Meet customers in a setting where they are most comfortable, providing check cashing, remittance and other services in a convenient and comfortable environment with extended hours
 - Location, location, location (hub + spoke = cluster)
 - Marketing outreach that includes both community media AND word-of-mouth endorsements from local non-profits

Member conversion & loyalty

- Point-of-difference with mainstream banks & credit unions
 - 1-stop shop (account + reduced-fee transactions)



Prospera Business Model, Continued

Member Retention & Economic Mobility

How do you influence behavior to encourage savings & prepare for credit?

- Point-of-difference with banks and check cashers:
 - Tellers are trained to deliver “in-line financial education” at the point of service, nudging clients toward mainstream financial products such as savings and checking accounts, and responsible loan products, all designed specifically around clients’ needs.
 - Cross-selling to appropriate products; ongoing encouragement and support to client



Market Research Insights

- Pain Point: Fluctuation in Savings Cushion
 - “I used them (the credit union) before but now I’m broke... I need the cash right away. I have to leave the check with them (the credit union) for, like, at least three days.”
 - *1-on-1 interview*

Work-Around: Cash is King

People stop using accounts to avoid overdraft/NSF fees and rely on check cashers when savings are depleted.



Market Research Insights

- Pain Point: Lack of Clarity & Comfort
 - “It’s not that I don’t think banks are telling me the truth, it’s that I don’t know if the translation is getting everything right.” – *1-on-1 interview*
 - “I never used the ATM card. I didn’t trust it. I don’t know how the ATM works.” – *1-on-1 interview*

Work-Around: Risk-Aversion

Rather than feel rejected or embarrassed, people avoid banking products to avoid making a mistake.



Market Research Insights

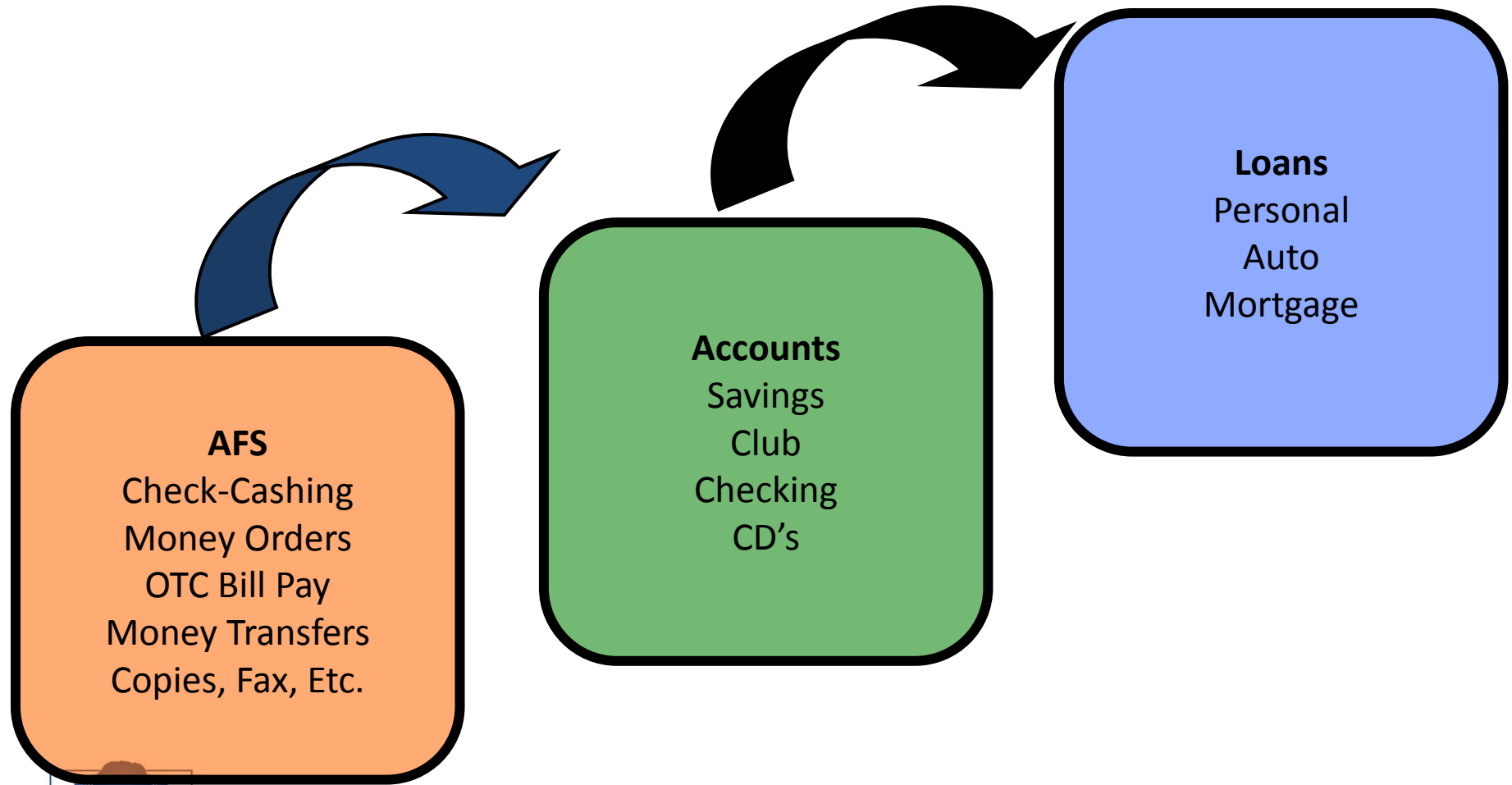
- Pain Point: Documentation Anxiety
 - “I go to the Mexican store because they don’t ask for any ID. They already know me there.” – *1-on-1 interview*
 - “I don’t know what kind of documents [the bank] is going to want... I go to [the check casher] where I always go because I’m registered there. ” – *1-on-1 interview*

Work-Around: Trusted Referrals

Recent immigrants rely on friends & family for guidance on handling their financial situation.



Prospera Developed a Holistic Product Suite to Meet the Broad Financial Needs of Customers



Plus, In-Line Financial Education (Version 1.0)

- **Teller line interventions**
 - Deliver targeted scripts and/or marketing materials to customers at the point of transaction to "nudge" them toward an account, a savings product or credit-building loan.
- **In-branch marketing interventions**
 - Create marketing collateral to provide "bite sized" education, e.g. *"Did you know the average Prospera consumer spends more than \$300 in check-cashing a year and that the average Prospera member spends an average of \$65 in account fees a year?"*
- **Community outreach**
- **Cross selling savings accounts**



Best Practices and Lessons Learned from In-Line Financial Education v1.0

- **The teller line is powerful!**
 - Conversations with staff
 - Marketing posters, fliers, etc.
- **Staff incentives work**
 - Gift cards
 - Competitions/giveaways
- **Some challenges**
 - Inconsistency in message
 - Risk of well-intentioned but misguided *nudges*
 - Motivation and momentum is challenging to sustain



In-Line Education Version 2.0: Combining “Nudge” with Product Design

- Embedding behavioral economic principles into product design, marketing *and* teller interventions:
 - Frictionless savings
 - Power of defaults
 - Marketing messaging
 - Prompts at point of decision-making



A First Step Towards Version 2.0: 5-for-Me Product Innovation

- Targeting active check-cashing clients
- A simple, easy-to-use, explain and understand savings account (no plastic, \$10 to open)
- Streamline account opening process to reduce psychological barrier
- Automatically saves \$5 from every check you cash



5-for-Me Transaction



The diagram illustrates the 5-for-Me transaction process. It features three circular icons: a green circle with a hand holding a \$1000 check labeled 'my check', a red circle with a hand holding cash labeled 'my cash', and a blue circle with a piggy bank labeled 'my \$5'. Arrows show the flow from the check to the cash, and from the cash to the piggy bank. The text '5 for Me' is prominently displayed in the bottom left. To the right, the slogan 'start small, save big, have fun!' is written. The Micro Branch logo, a division of Self-Help FCU, is on the right. Below the diagram, the website 'microbranch.org' and the address '2010 Story Road, Suite 80 | San Jose, CA 95122' are listed, along with the phone number '408.347.9559'.

my check

my cash

my \$5

start small,
save big, have fun!

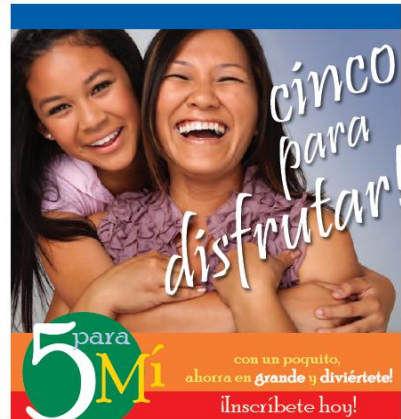
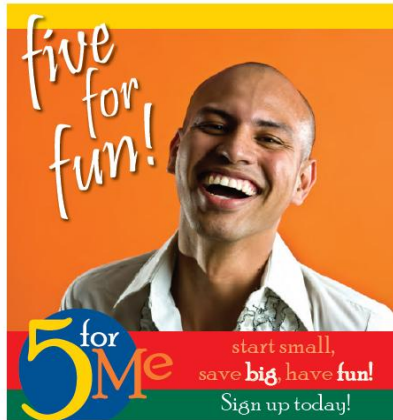
Monday - Friday
10:00 am - 7:00 pm
Saturday & Sunday
9:00 am - 1:00 pm

Micro Branch
A DIVISION OF SELF-HELP FCU

microbranch.org | 2010 Story Road, Suite 80 | San Jose, CA 95122 | 408.347.9559

1. Cross-sell prompt
2. "Buck slip" handout to explain product
3. Application is auto-populated with client information
4. Transaction code used to deposit check and save \$5

5-for-Me Marketing

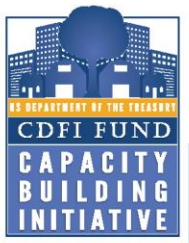


What are
you
going
to do with
your 5?



5-for-Me Evaluation

- **Monitoring**
 - Cross-sell lessons learned
 - Marketing lessons learned
 - IT set-up lessons learned
- **Analysis & Reporting**
 - Who's signing up?
 - When are they signing up?
 - Why are they signing up?



Demonstrating Financial Sustainability is Essential

- Proof of theory of change that underserved communities can be served responsibly and profitably
- Designing a whole new business model, not just adding a new product
- Confident in projections that ensure the model sustainable
- Acquisition of new branches in Los Angeles help create economies of scale and improve the economics of the business model.



Prospera Used the Following Criteria to Inform Vendor Selection Process

- Customer needs/Customer service
- Core competencies
- Risk mitigation
- Revenue & costs

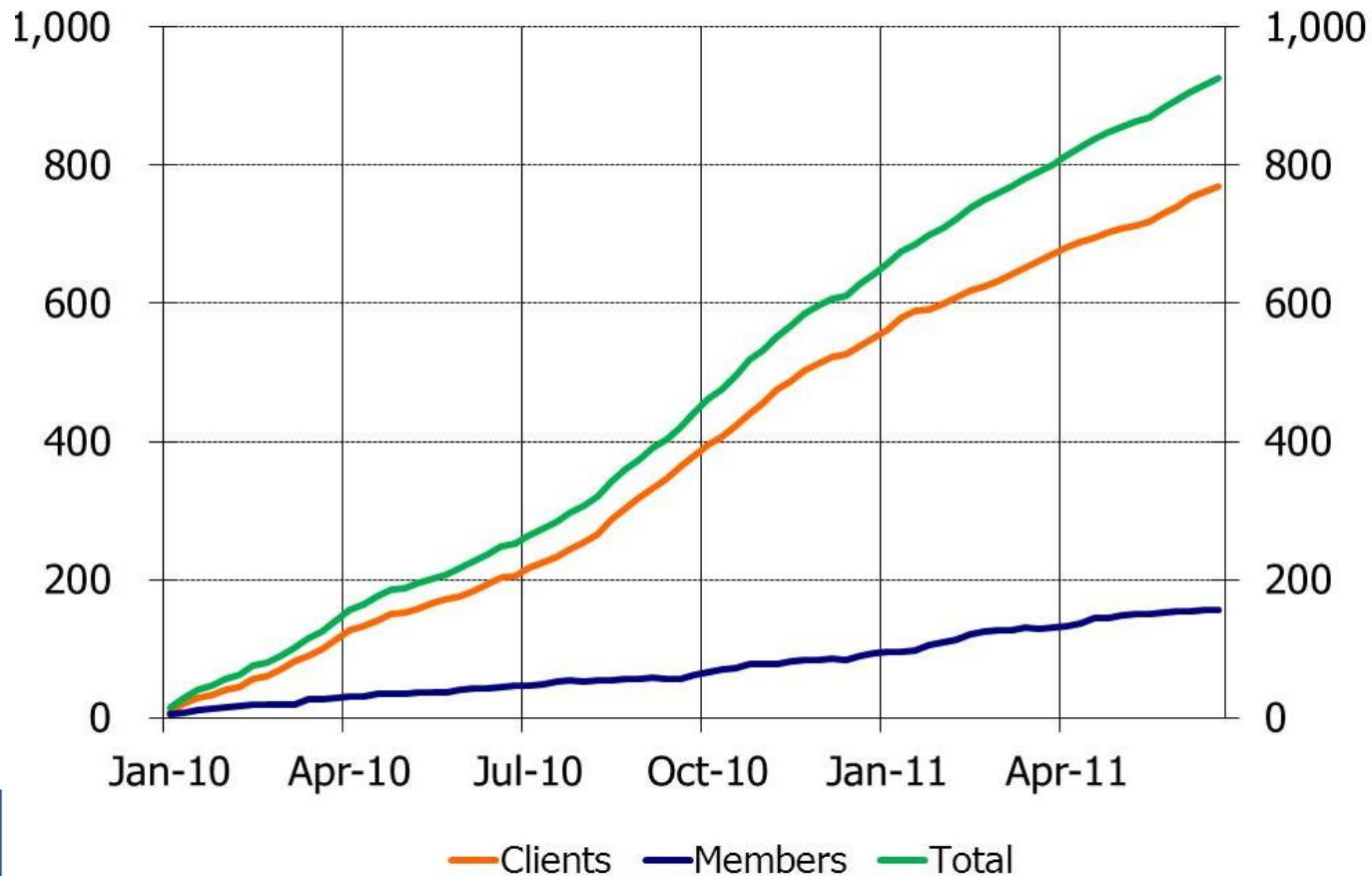
1-year contracts allows Prospera to re-evaluate:

- In pilot selected Western Union because of brand recognition and credibility.
- Now: Does Prospera have in-house knowledge and comfortable with financial risk? Does Prospera really need the Western Union draw given acquisitions? Maybe offer a couple of vendors instead and allow customer choice.



In MicroBranch Pilot, Saw Greater Growth in Clients than Members

**Total Clients vs. Members
(Jan 2010 - Jun 2011)**



Prospera is Achieving Scale Through Acquisitions

- **Acquired 5 check cashers in Los Angeles**
 - Client base acquisition
 - Very established check cashers
 - Efficient scaling; one of the most efficient ways of meeting clients where they are is by purchasing a check casher network
 - In process of core processor conversion
 - Economies of scale; lower cost structure



Q&A



Haydee Moreno, Prospera Division Director

- Internal leader and champion
- Joined Self-Help FCU in 2008

What was most successful in helping you convince leadership to go down this path?

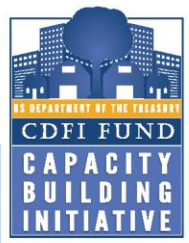
First, you have to understand the boundaries of the sandbox your organization is willing to play in and just own that. Then, you need enough senior people that are willing to evangelize for the project. It was important that it wasn't just 'Haydee's MicroBranch', but rather Self-Help's MicroBranch. CEO support from the beginning was critical. But also relied on other senior leaders to help continue the momentum, even when it was difficult.



What advice would you give credit unions interested in going down this path?

Laying the groundwork and foundation to get buy-in internally is critically important. I dedicated 12 months to market research, interviews, surveys, etc., to demonstrate I understood the organization's mission and wasn't seen as an outsider. Then, I tied this work to our mission. When I talked about the problem and need, I used the words of the clients from our market research. It wasn't about my opinion; the data spoke for itself. The power of hearing directly from consumers is really important.

Deciding whether to go down this path isn't necessarily the hardest part. It's all the little decisions you make after that that determine if you will be effective in the market. Ensure that all those decisions tie to that target market you are trying to serve.



Did you have to overcome legal or regulatory hurdles? If so, how?

There can be a real tension between meeting customers where they are and regulatory constraints. However, my perspective is that often the constraints tend to be institutional rather than from the regulating body. We had many conversations with our auditors and compliance officers. They were very nervous about this work because didn't know much about or target audience.

- I insisted that if 7-11 can issue money orders on the spot with no questions asked, then there is a way we can do it as well. This isn't how SH is used to operating.
- Constant engagement and proactive dialogue was essential. We went to our compliance team and told them what we wanted to do, but the burden was on us to do the research to make our case.





Offering a full range of transaction products to underserved consumers in a cost-effective and user-friendly way



Transact



Save



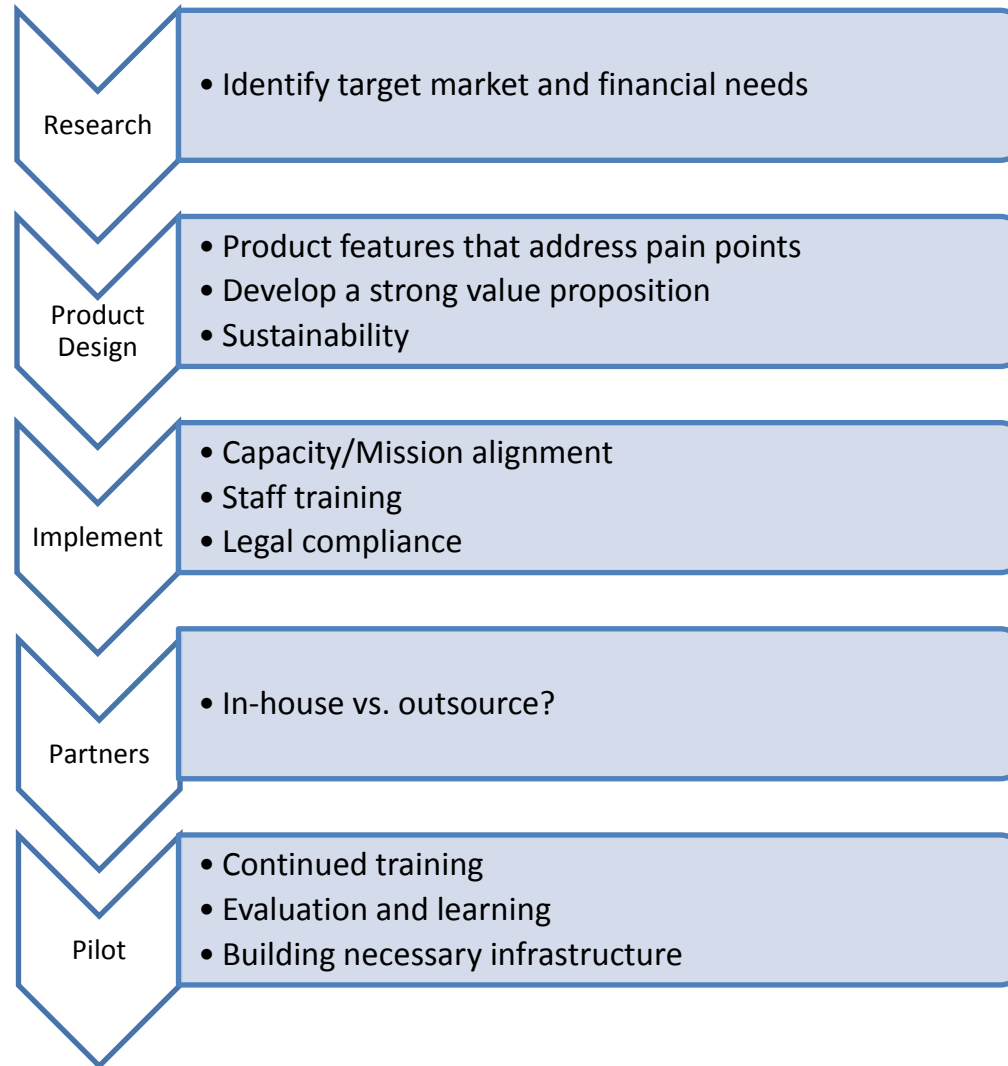
Borrow



Plan



Centris CU's Product Development Journey

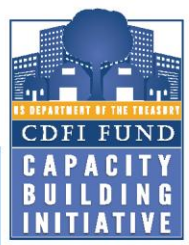


Centris Federal Credit Union

- Founded 77 years ago
- One of Nebraska's largest community chartered credit unions, with more than 75,000 members and \$500 million in assets

Goals & Objectives:

To provide a full range of financial services to underserved consumers in a cost-effective, convenient, and user-friendly way in the credit union context.



Expanding Product Suite Was Necessary & Important for Many Reasons

- Central to Centris' heritage and mission:
 - *To be a trusted life-long financial partner with our members to assist members in achieving their financial needs and goals.*
- Building the membership base, by reaching underserved consumers
 - Underserved consumers are not served well today
 - Underserved consumers deserve better services
 - Centris believes in reaching underserved consumers
- Important for Centris' long-term survival & relevance
- It is profitable and sustainable
- Invaluable learning opportunity for the organization that can inform other expansion projects

Research on Underserved Population in Centris Footprint

Target Audience

- Unbanked & underbanked – the “Underserved”
- Hispanic
- Gen Y – born post 1980
- Existing Centris members

Distinctive Characteristics

- Users of non-traditional financial products
- High relationship & social orientation
- Very loyal if good experience
- Checking not a product of choice
- Technology savvy
- Requires appropriate and lower delivery cost structure

Omaha Market

- Total Population 865,350
 - Increase from 2000 – 2010 of 12.8%
- # of Households 335,075
- Avg. Age 34.9
- HH Income \$56,271 vs. US HH Income \$51,517
- Race & Ethnicity
 - 9% Hispanic with 92.7% growth rate
 - 7.9% Black with 14.3% growth rate
- Education
 - 91% high school grads vs. 85% nationally
 - 32.7% college grads vs. 27.9% nationally
- Unemployment 4.6% in January vs. 8.6% nationally

Source: FDIC



Centris Express Addresses Underserved Market Pain Point

Centris knew from research that underserved consumers in their footprint were extremely frustrated with having to piece together financial services by:

- Standing in lines
- Filling out forms
- Paying high fees
- Interacting with people behind glass



Centris Express is an Innovative Product Suite and Delivery Channel

New Delivery Channel

- Kiosk Technology
 - Powered by Nexxo
 - Dedicated Sales Staff
 - New Locations & Outlets
- Branch Vestibule/Lobby
- Grocery Stores
- Centris Express Money Center

New Products

- Check cashing - all types
- Reloadable Prepaid Cards
- Bill pay
- Remittances
- Money orders
- Money transfer
- Cell phone minutes

Approach: Meeting customers where they are and offering high-quality products they seek & need



Centris Made a Strategic Decision to Avoid Branch Distribution Channel

- Target customers don't go to branches today
- Integration challenges operations & technology
 - An additional layer of complexity
- Sales at the Teller Window
 - Time & service issues
- Increases delivery channel cost
- Lack of bi-lingual personnel at branches
- No buy-in & support from former head of Retail Banking



Kiosk Delivery Channel Improves Efficiency & Accessibility

- Implementation of new products would be difficult at branch locations
- Innovative/ Modern look-and-feel is more appealing
- Not confident that branch is the best place, so kiosk allows experimentation with different locations (easier to move)
- Cheaper than building an in-store branch
- Allows extended hours and access
- Bi-lingual
- Recalls customer preferences



Draft kiosk mock-up; not final



Nexxo Offered a Turn-Key Solution; More Efficient Than In-House Approach

Selection Process

- Nexxo - only kiosk specializing in underserved products (IFS Platform)
- Kiosks sync with the credit union's backend processes, a number of different transactions can be conducted at the same time, and a customer's information is remembered on repeat visits.
- Consumers can conduct transactions on desktop computers or mobile phones.
- Outsource vs. In-House
 - Scale
 - Time



Roles & Responsibilities

- Centris owns machines, but Nexxo owns platform
- Off-the-shelf platform is not customized
- Nexxo trained some Centris staff; Train-the-trainer model
- Nexxo troubleshoots, provides customer service, and handles compliance issues

Kiosk “Look & Feel” Was Designed with Customer in Mind

- ✓ Modern, warm look & feel is standard (subsequent logo)
- ✓ Friendly space
- ✓ Comfortable; gel mat at the foot of kiosk
- ✓ Conveniently located in areas target audience congregate
- ✓ Manned 40 hours per week
- ✓ Open 7:00am – 11:00pm
- ✓ Bilingual staff and customer service

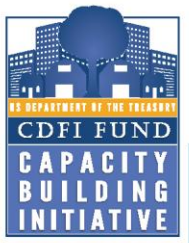


Centris Branch Kiosks

- Three locations with high Alternative Financial Services (AFS) spend
- Kiosk located in the lobby or vestibule
- Sales staff is assigned to kiosk
- Branch personnel support available
- After-hours access
- No location cost
- Established traffic of Centris customers
- Member product use



Draft mock-up; not final



Money Center Kiosks

- Future branch concept; 2 located in an Omaha strip mall
- Lower delivery cost
 - Smaller footprint
 - Lower personnel costs
- Extended hours & access
- Added convenience & locations
- Self-service with some support
- Multi-language



Grocery Store Kiosks

- Four locations
- High spend areas
- High foot traffic & visibility
- Frequent visits
- Extended hours
- Convenience
- Affordable locations



There is a Strong Business Case to Support Centris Express Model

- **Centris Express is a sustainable business model**
 - Anticipate profitability in three (3) years
 - Reasonable investment
 - Acceptable breakeven timeframe
 - Good ROI
- **A path to achieving scale at lower cost**
 - Strategy to grow member base
 - “Be there for potential members when they need us the most”
- **Increase name recognition and visibility of Centris brand in unchartered territory**



Targeted Marketing is Critical to Success

Designing a great product is only half the battle.

Marketing Tactics:

- Product advertising on Kiosk monitors
- Hiring from the community
- Radio and television advertising in Spanish and English are high ROI
 - 30 second TV commercial: <http://www.youtube.com/watch?v=-563kH8mHhQ>
- Partnerships with churches and community nonprofits
 - Distribute wallet size brochures and map of locations



What is Next?

Centris Express Phase 2

- **Kiosk Integration to Centris Products**
 - Deposits to & from Checking/Savings
 - Fund products direct from Centris accounts
- **Enhanced Products/Services**
 - Domestic Remittances
 - Rewards Program
 - Centris-owned Money Order and GPR Card
 - Virtual Teller ATM Integration



Centris Dedicated Three Years to Develop This Effort

Year One (2009)

- Defining emerging markets
- Why should Centris care
- What can we do
- Socialize senior management and gain buy-in
 - Brought outside experts to validate strategy
 - Invited the head of retail to CFSI conference



Centris Dedicated Three Years to Develop This Effort

Year Two (2010)

- Float the idea of small dollar loans to non-members
 - The idea fails because credit union regulations/cost -prohibitive
 - The idea fails because too much work for so little profit
- Obtain the backing of Centris President
- Begin exploring an AFS offering *without the support of retail*
 - Belief that this has to be offered outside branch system to be successful
 - Start creating business plan
 - Get manager level people excited



Centris Dedicated Three Years to Develop This Effort

Year Three (2011)

- Four-person team created a business plan
 - Centris President & CEO
 - Centris Strategic Leadership member
 - Technology Vice President
 - Emerging Markets Director
- Created a sustainable/profitable second chance checking account to demonstrate demand
- Ended up with 12 proforma versions for AFS business case
- Presented to Centris Board of Directors in September; Business case was approved
- Continue building buy-in from managers and some senior management
 - Continued leveraging relationship with CFSI & participation in Exchange & Annual Undeserved Conference



Pilot Learnings: Centris Express Has Demonstrated Success in First 6 Months

- **Launched pilot with 10 Kiosks in June 2012;**
“Go big or go home”
 - 4 at branches; 6 retail areas
 - Learning: kiosks outside of the branches are most successful
 - **Staff: 2 Managers and 6 sales staff**
 - **To date, 1700 people registered in 6 months**
 - **Focusing on tactics to keep registered customers engaged**
 - Provide them with a member card upon registration
 - Text follow-up
- Media & marketing campaign: TV and radio



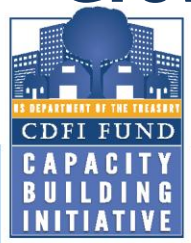
Hiring the Right Staff and Incorporating Sales Incentives is Critical

- **Hire from local community**
 - Know the customer; have relationships; easier to build trust
 - Commitment to the community
- **Incentives work**
 - Staff meeting with sales staff every 2 weeks to discuss challenges/wins
 - Trophies, treats and prizes for top sellers
 - Branch tellers/staff also receive bonus incentives for referrals



Challenges & Obstacles

- **Changing underlying attitudes and biases**
 - “Resident aliens” at Centris
 - Cultural diversity and acceptance
 - Non-traditional thinking, approaches and solutions
- **Gaining management support takes time**
- **Board had concern of reputational risk to brand**
- **Resistance to change**
- **Growing competition**



Lessons Learned & Advice



**Laura Castro de Cortes, VP Alternative Financial Services,
Centris Federal Credit Union**

- The “Champion for Underserved”
- Joined Centris in March 2009
- Formerly, Director of Latino Banking at Commercial Federal Bank

- You need a passionate, committed internal champion to push this along
- Dare to think & act differently
- Create an internal support coalition; start at the top
- Leverage external resources
- Develop a vision, outline your goals & plan thoroughly
- Understand the risks & return to your strategy
- Don’t underestimate marketing
- This can take a while, but don’t give up on the dream

